

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
-vs-	:	
Mt. Carmel Public Utility Company	:	03-0702
	:	
Reconciliation of revenues collected	:	
under gas adjustment charges with	:	
actual costs prudently incurred.	:	

ORDER

By the Commission:

I. INTRODUCTION

On November 12, 2003, the Illinois Commerce Commission ("Commission") entered an Order Commencing PGA Reconciliation Proceedings, which directed Mt. Carmel Public Utility Co. ("Mt. Carmel"), to present evidence in this docket at a public hearing to show the reconciliation of revenues collected under its Purchased Gas Adjustment tariff ("PGA") with the actual cost of gas supplies prudently incurred and recoverable under said PGA for the year ending December 31, 2003, (the "Reconciliation Period"). Notice of the filing of Mt. Carmel's testimony and schedules with the Commission was posted in its business offices and was published in newspapers having general circulation in its service territory, in the manner prescribed by 83 Ill. Adm. Code 255, in compliance with the Commission's Order.

Pursuant to proper legal notice, hearings were held in this matter before a duly authorized Administrative Law Judge of the Commission at its offices in Springfield, Illinois, on April 27, 2004, December 3, 2004, and January 11, 2005. Appearances were entered by counsel for Mt. Carmel and by members of the Commission's Energy and Financial Analysis Divisions ("Staff"). At the conclusion of the January 11 evidentiary hearing, the record was marked "Heard and Taken." No briefs were filed in this matter. Nor were any petitions to intervene received.

The record contains a detailed description of Mt. Carmel's practices and procedures for reconciling the revenues collected under its PGA tariff with the actual costs recoverable under such tariff during the Reconciliation Period.

II. GOVERNING AUTHORITY

In accordance with Section 9-220 of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq., the Commission may authorize an increase or decrease in rates and

charges based upon changes in the cost of purchased gas through the application of a PGA clause. Section 9-220(a) requires the Commission to initiate annual public hearings “to determine whether the clauses reflect actual costs of gas purchased to determine whether such purchases were prudent, and to reconcile any amounts collected with the actual cost of gas prudently purchased.” In each such proceeding, the burden of proof shall be upon the utility to establish the prudence of its applicable costs. For gas purchases, the provisions of Section 9-220 are implemented in 83 Ill. Adm. Code 525, “Uniform Purchased Gas Adjustment Clause.” Gas costs which are recoverable through a PGA clause are identified in Section 525.40. Adjustments to gas costs through the Adjustment Factor are addressed in Section 525.50. The gas charge formula is contained in Section 525.60. Annual reconciliation procedures are described in Section 525.70.

III. EVIDENCE PRESENTED

A. Mt. Carmel’s Position

Mr. Philip Barnhard, IV, President of Mt. Carmel, testified as to his responsibility for supervising the calculation and filing with the Commission of Mt. Carmel’s monthly and annual reconciliation required by Mt. Carmel’s PGA tariff. Mr. Barnhard sponsored Exhibits G-1 and G-2 to his Direct Testimony (Mt. Carmel Exhibit 1.0) and Revised Exhibit G-2 to his Supplemental Direct Testimony (Mt. Carmel Exhibit 1.1) that identified and reconciled all components of Mt. Carmel’s 2003 gas costs and recoveries. Exhibit G-1 consists of Mt. Carmel’s purchased gas rate sheets while Revised Exhibit G-2 shows that Mt. Carmel under recovered gas costs from its customers during 2003 by the amount of \$89,372.03, with an under recovery balance at December 31, 2003, of \$315,991.23 for the total PGA reconciliation combining Commodity and Non-Commodity Gas charges. He testified further that the total requested Factor O refund was \$13,309.78. He also expressed the opinion that Mt. Carmel’s procurement of natural gas was prudent during 2003.

B. Staff’s Position

Mr. Bill Voss of the Accounting Department of the Financial Analysis Division testified that he reviewed Mt. Carmel’s PGA Reconciliation shown on Revised Exhibit G-2 and the underlying documents which support the calculations. Mr. Voss found no reason to object to Mt. Carmel’s reconciliation of PGA revenues collected under its PGA tariff with the actual cost of gas supplies. Further, he recommended that the Commission accept the reconciliation of revenues collected under the PGA tariff with actual costs as reflected on Revised Exhibit G-2, including the required Factor O.

Mr. Mark Maple of the Engineering Department of the Energy Division also testified that he reviewed Mt. Carmel’s filing and responses to numerous data requests

concerning the prudence of its gas purchases during the Reconciliation Period. Using the Commission's criteria for determining prudence, Mr. Maple found no reason to dispute Mt. Carmel's assertion that its gas supply purchases were prudently incurred during the reconciliation period.

IV. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) Mt. Carmel is a corporation engaged in the distribution of natural gas to the public in Illinois and, as such, is a public utility within the meaning of the Act;
- (2) the Commission has jurisdiction over Mt. Carmel and of the subject matter of this proceeding;
- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) the evidence shows that during the Reconciliation Period, Mt. Carmel acted reasonably and prudently in its purchase of natural gas; and
- (5) for the Reconciliation Period, the Commission accepts Mt. Carmel's proposed reconciliation of revenues collected under its PGA tariff with the actual cost of gas supplies during that year as described in Revised Exhibit G-2; Revised Exhibit G-2 reflects a Factor O refund of \$13,309.78, as set forth in the attached Appendix.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the reconciliation submitted by Mt. Carmel Public Utility Company of the revenues collected under its PGA tariff with costs prudently incurred for the purchase of natural gas for calendar year 2003, set forth in the Appendix hereto, is hereby approved.

IT IS FURTHER ORDERED that Mt. Carmel Public Utility Company refund the Factor O of \$13,309.78 in its first monthly PGA filing following the date of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.800, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 24th day of February, 2005.

(SIGNED) EDWARD C. HURLEY

Chairman